




THE EVILS OF GOVERNMENT OWNERSHIP

BY JONATHAN BOURNE, JR.
Former United States Senator from Oregon

An Address before the Thirty-fourth Annual
Convention of the American Electric Railway
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EVILS OF GOVERNMENT OWNERSHIP

THE CENTRALIZATION AND INCREASE OF POLITICAL POWER DESTROYS
INDIVIDUAL INITIATIVE



SUCCESS OF GOVERNMENT REGULATION ELIMINATES THE DESIRABILITY OF
GOVERNMENT OWNERSHIP

By JONATHAN BOURNE, JR.*

Former United States Senator from Oregon

The problem of municipal ownership of public utilities involves no fundamental principles different from those involved in the problem of national ownership of such utilities as railways, telegraph lines, water powers, etc. The difference is one of degree and detail rather than of principle.

I am strongly opposed to public ownership, whether municipal or national, except in those cases where it is necessary to have government control in order to promote the public health, as in the case of water supply systems. My opposition is based not so much upon the question of relative cost of operation as it is upon the effect public ownership has upon the government itself, and upon the enterprise of its citizens.

Comparatively speaking, it matters little if cost be increased and efficiency reduced. More expense and less convenience are ills of a superficial nature and do not affect the larger interests of the people in a vital way. But the bad effect of public ownership upon the government itself, whether municipal, state or national, is of more than temporary concern and cannot be measured in terms of dollars and cents. The evil effect of public ownership upon the creative, constructive spirit of enterprise among the most active and capable of our people, constitutes a menace not only to the welfare of this generation but to the progress of our people for all time to come.

The Desideratum of Government

The desideratum of all government should be the protection of its citizens and only such restraint of individual action as is absolutely necessary to insure the desired protection of all its citizens. As an incentive to individual enterprise and as a stimulant to individual initiative, the government should afford every citizen the largest opportunity for activity with hope of commensurate reward consistent with the rights of all.

Public ownership tends to destroy this initiative and to remove the hope of reward. Except in rare instances, it tends to discourage efficiency by removing competition. This is true in the case of both municipal public utilities and national utilities.

* An address delivered before the American Electric Railway Association's Annual Convention, San Francisco, Cal., October 6, 1915.

Once established, public ownership will continue until its destruction has been wrought. Once overthrown, individual enterprise will not be restored until public ownership has brought its own ruin. Legislation can easily destroy but it cannot build up. The most it can do is to give opportunity and incentive for individual activity.

The objection based on the effect of public ownership upon government itself is particularly applicable at this time when there is such a strong tendency toward the centralization of governing power in the hands of a few. We observe this tendency most strongly in municipal government where the city commission is supplanting the city council. With this concentration of power necessarily goes not only responsibility for the exercise of that power, but opportunity for its selfish use. Selfishness and ambition so generally control human action that great delegation of power will always be a menace to popular government. I grant that, in most instances, where power and responsibility have been bestowed upon a few individuals, there will be, in the early stages of the exercise of that power, a special effort to render efficient and satisfactory service. This will be true for two reasons: First, public attention will be centered upon the management of the office in which power has been centralized, and second, with the change in powers of the office there will go a change in the selection of the incumbent with special effort to secure the services of a man who will be both capable and faithful. With the novelty of the change worn off, and with public attention diverted, there will be placed in power men who will use their authority to promote their own political, personal, or financial self interests.

Increasing Number of Government Employees

That they would have the power to do so is readily apparent. If we were to add to the present number of government civil employes all those who are now employed by railway, telegraph, telephone, electric railway, express, and water transportation companies, we would have a force of government employes numbering more than three millions. In the last ten presidential elections, the President has been chosen by a plurality varying from a little over seven thousand to two and a half millions. I have no hesitancy in asserting that under government ownership of all these public service corporations, those employes and their friends would invariably control the government under our political system. There would be insistent demand for service in governmental employment. Outside labor would strive to secure government employment. There would be dissatisfaction in private enterprise.

Thus, there would be established in the public mind, the view of the government as an employer. The individual citizen would be encouraged to look upon the government, not as an institution which he should support, but an institution which should support him. With a multitude of government positions available, the citizen denied the privilege of government employment, would feel that he had been discriminated against. The higher wages paid, the fewer hours of labor and the longer vacations accorded to government employes would cause constant unrest among those engaged in private enter-

prise of practically similar character of work and requiring a corresponding degree of ability and effort. There would become deeply embedded in the minds of the people the idea that the government is a great entity, separate and distinct from themselves, to which they can look for every service they may need. This attitude of mind would be entirely destructive of that spirit of patriotism which is nourished by the citizen who regards himself as a supporter of the government rather than its dependent. Instead of studying to devise a new and desirable service which he himself can render in return for satisfactory compensation from his fellow citizens, his tendency will be to think of some new service the government can render for him.

Industry Competing With Government

An employer of workmen in private enterprise would come to look upon the government, not as an aid to him by the maintenance of equal opportunity, but as a rival, since the government would be competing against him in the employment market, where the activities of the government are limited, as they now are, to practically those operations which are necessary for the preservation of public peace, health and safety, that rivalry in employment between public and private enterprise does not exist, but just to the extent that the government engages in undertakings which can as well be left to individual enterprise, it becomes a competitor with its own citizens, and the destroyer of equal opportunity.

The magnitude of the public service, under a system of government ownership, would inevitably throw public employes into politics and make them a factor in every campaign, municipal, state or national. While it is true that in former years public service corporations were a factor in politics and had undue influence in nominating conventions, that situation does not exist to-day.

Public service corporations are not a controlling factor in American politics and their managers have no more influence than should be exercised by any other citizens having similar personal and property rights and interests.

Instead of taking public service institutions out of politics, public ownership would throw them into politics. For the purpose of promoting their own selfish interests, public employes would organize, and pursue whatever means might seem most likely to secure legislative and administrative changes for the advancement of their own interests. Their influence would be directed to the support of that candidate who promised most for the fulfillment of their desires. Aided by an organization of public employes scattered throughout a city, a state or nation, an administration would have a practically overwhelming advantage over any party or faction which sought to succeed it.

Civil Service Not a Safeguard

Some people profess to believe that the political influence of an army of public employes could be overcome by the establishment of a system of classified civil service examination. Theoretically this is true, but it must be remembered that although appointments may be made in part as a result of competitive tests, yet in every system of government employment the higher

officers control promotions, demotions, transfers, and removals, thus exercising such power over subordinates as to make them practically subservient in politics, where the administration in power is concerned. The President of the United States, the governor of a state, and the mayor of a city have under their direction, a body of men who may be easily organized as an active factor in politics.

Whether that organization shall exert its influence in support of the administration or against it will depend upon the attitude the administration has maintained toward the employes themselves. The extent of the influence of the employes will be measured largely by their numbers. So long as government activities are limited to ordinary government purposes, this influence will not be a menace. If extended by adding to the present government employes all those engaged in public service enterprises, the influence would be large enough and active enough to wield the balance of power in every political campaign.

Advocates of government ownership of public utilities assert that government regulation has been a failure, and assume that government ownership and operation will be a success. But possession of a certificate of appointment to public office does not bestow upon the recipient any supernatural powers. The men who have been unable to solve successfully the problems presented under government regulation, will likewise be unable to solve the problems presented by government operation. Quite likely their mistakes and shortcomings would be less conspicuous, but since they would have more problems to solve it must be assumed that their mistakes would be more numerous.

Discrimination Would Not Be Wiped Out

Every question of rates, character of service, or protection against unfair discrimination, which is now presented for the consideration of regulating commissions, would also be presented for determination by a board having control under public ownership.

If any man believes that government ownership will solve the rate question, let him study the parcel post rates established by the Postmaster-General, under which the postage charged for a long haul is greater than the sum of two charges for two shorter hauls, making up the longer distance.

If any man believes that discrimination can be avoided by public ownership let him study the facts in the Blue Tag Order under which in 1910 the Postmaster-General ordered certain publications transported on freight trains, although paying exactly the same rates and therefore entitled to the same service, while competing publications of practically the same character and catering to the same trade, were transported on mail trains.

Let every student of this phase of the subject consider the manner in which the lines of the Federal Reserve Bank districts were drawn, resulting in favoritism to certain sections of the country.

Let him keep in mind the efforts of the Secretary of the Treasury to extend special financial favors to certain districts and certain industries.

If there can be such discrimination in the postal service and in the management of the Federal Reserve Banking system, upon what theory shall we as-

sume that there would not be discrimination, in the government operation of railroads, telegraph and telephone lines, and other public utilities? Under government ownership of the telegraph there would be swung over the heads of the press of the country, a club no less threatening than that which now swings over the heads of the bankers of the country.

As I have already indicated, the question of cost and efficiency under government ownership is of relatively slight importance. It is of little consequence compared with the problem of keeping our government free from paternalism, giving equal opportunity to all citizens and encouraging individual enterprise, and yet this economic question must not be overlooked. No doubt the government as owner and operator of public utilities could make some improvements, and eliminate some duplications that would result in diminished cost of operation, but these savings would be more than offset by waste, increased expense, and diminished service, in other respects.

Many people assume that our own Post Office Department is efficiently and economically conducted, but reference to the report of the Joint Congressional Committee on Railroad Mail Pay, submitted to Congress August 31, 1914, and published as House document number 1155, will show by citation of numerous instances that government methods of accounting are inadequate and unreliable, and that supervising officials are vacillating and unbusinesslike in the handling of large problems presented for their official determination.

Study of the records of the Reclamation Service shows that in a large number of instances government engineers, in whom great confidence was placed, made estimates of cost of construction which proved so grossly inaccurate that intending settlers were deceived to their injury.

The records of the Forest Service show that during the period from 1900 to 1914 inclusive, the total receipts from sales of timber, grazing privileges, timber settlements, fines, etc., amounting to \$17,060,528, while the government expenditures for the maintenance of Forest service amounted to \$40,927,109.

An Example of Governmental Failure in Business

Across the border in Canada we have had a very practical and convincing demonstration of the kind of efficiency we may expect from public ownership. Canada undertook the construction of the National Trans-Continental Railroad from New Brunswick to Manitoba, 1804 miles in length, and government officials estimated the cost at \$61,415,000. By the end of 1914 the commission having charge of construction had spent a total of \$173,000,000, or \$95,898 per mile, or nearly three times the original estimate. Another commission was appointed to investigate the work of the construction commission, and reported that \$40,000,000 had been absolutely wasted through bad judgment, carelessness or maladministration. The character of construction was in many instances not suited to the territory traversed nor determined by a judicious estimate of the traffic to become available. Incompetence was apparent in almost every branch of the work. The road cost three times as much as other roads constructed by private enterprise. The company which had agreed to lease, equip and operate the new line, refused to carry out its agreement on the ground that the road was not completed even after the

enormous expenditure stated, and that, because of the large construction cost, the company could not pay a rental equivalent to three per cent on the capitalization, as provided in the agreement.

These practical illustrations of results of government ownership and operation are exactly what might reasonably be expected. It would be absurd to expect that the government could pay higher wages, reduce the hours of employes, dispense favor to political or personal friends of public officials, and at the same time give service as good as could be rendered by private enterprise and at a less cost.

Undoubtedly many evils exist in private operation of public service enterprises. Improper acts should be prohibited by criminal statutes imposing penalties so severe and making punishment so certain that violation would be extremely rare. But prevention of dishonest acts does not require government ownership. Advocates of that policy propose a remedy far worse than the disease. They base their theories upon the false assumption that efficiency goes with public employment. They close their eyes to all dangers arising from the construction of a huge public service machine, which could be, and certainly would be, utilized by administrative officials to perpetuate themselves and their friends in control of government, national, state, or city.

Directors Should Be Made to Direct

Most of the dishonest management of public service corporations has been due to the failure of directors to direct. Manipulation of the affairs of a concern for the benefit of a few officers or stockholders has been made possible and encouraged by centralization of control in the hands of one or two men. The dictator has subordinated the interests of all to the interests of a few. Such also has been the world's experience in government.

What we need in this country to-day is a check upon the tendency to centralize power. In private corporations we need directors who will perform their duties even against the desires of a would-be dictator. In government we need legislative officers who have full appreciation of the responsibility resting upon them and who have the courage to perform their duties even in defiance of an arbitrary executive, whether in a mayor's chair, in a governor's mansion, or in the White House.

Selfishness and ambition so generally control human action that great delegated power must always be a menace. It is certainly axiomatic that centralized power in an individual or commission can only produce results commensurate with the integrity, ability, experience, and unselfishness of the individual or individuals constituting the commission.

Government ownership necessitates government regulation. Failure of government regulation necessitates the failure of government ownership. Success of government regulation eliminates the necessity or desirability of government ownership.

Because public ownership inevitably increases the political power of the Executive, tends to overthrow popular or truly representative government, and destroys individual initiative, I am opposed to it as a policy in either local or National Government.